

EXHIBIT C



State of Utah

Department of
Environmental Quality

Dianne R. Nielson, Ph.D.
Executive Director

DIVISION OF AIR QUALITY
Richard W. Sprott
Director

JON M. HUNTSMAN, JR.
Governor

GARY HERBERT
Lieutenant Governor

FILE COPY

DAQE-GN0327010-06

January 27, 2006

Reed Searle
Intermountain Power Agency
10653 South River Front Parkway, Suite 120
South Jordan, Utah 84095

Re: Review of the Approval Order DAQE-AN0327010-04 dated October 15, 2004.

Dear Mr. Searle:

The Utah Division of Air Quality (UDAQ) has received your letter dated January 13, 2006 in accordance with Approval Order number DAQE-AN0327010-04.

UDAQ reviewed your AO in accordance with the R307-401-11 of the Utah Administrative Code (UAC) and prepared the attached Memo.

Please note that Executive Secretary will not exercise the right to revoke the above referenced AO as outlined in R307-401-11. However, by April 15, of 2008, IPSC shall again notify the Executive Secretary in writing on the status of the construction and/or installation. At that time the Executive Secretary shall require documentation of the continuous construction and/or installation of the operation and may revoke the AO in accordance with R307-401-11, UAC.

Sincerely,

Richard W. Sprott, Executive Secretary
Utah Air Quality Board

RWS: MR:kw

Attachment: GN0327010A-06



State of Utah

Department of
Environmental Quality

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Executive Director

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GARY HERBERT
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FILE COPY

DAQE-GN0327010A-06

MEMORANDUM

TO: Intermountain Power Service Corporation (IPSC) Project Source File (Site ID 10327)

THROUGH: Richard W. Sprott, Executive Secretary *[Signature]*
Regg Olsen, Permitting Branch Manager *ROO 1/24/06*
Rusty Ruby, NSR Section Manager, *R 1/24/06*

FROM: Milka Radulovic, NSR Engineer

SUBJECT: Review of the Approval Order (AO) for IPSC Unit #3 number DAQE-AN0327010-04 in Accordance with Condition 8 and Utah Administrative Code (UAC) Rule 307-401-11

DATE: January 23, 2006

We reviewed the IPSC letter dated January 13, 2006, sent to UDAQ in accordance with AO Condition 8. Reviewing the letter UDAQ finds that IPSC is engaged in many project development activities at substantial expense in excess of 5 million dollars.

UDAQ also finds that on November 12, 2004, IPSC petitioned the Utah Air Quality Board for review of Condition 24 in the AO dated October 15, 2004. Settlement negotiations took place between UDAQ and IPSC, resulting in a Joint Stipulation. The Joint Stipulation was approved by the Order of the Air Quality Board on September 7, 2005. The AO incorporates the terms of the Joint Stipulation. In addition, on November 15, 2004, Western Resources Advocates appealed the AO and action on the appeal is pending. These actions caused significant delay and necessitated an extension of the construction program.

For these reasons the Executive Secretary will not exercise the right to revoke the above referenced AO as outlined in R307-401-11. However, by April 15, of 2008, IPSC shall again notify the Executive Secretary in writing on the status of the construction and/or installation. At that time the Executive Secretary shall require documentation of the continuous construction and/or installation of the operation and may revoke the AO in accordance with R307-401-11, UAC.



January 13, 2006

Rick Sprott
Executive Secretary
Utah Division of Air Quality
150 North 1950 West
Salt Lake City, UT 84116

Re: IPA Unit 3 Request for 24 Month Extension

Dear Mr. Sprott:

The Intermountain Power Service Company ("IPSC") submits this request for a twenty-four (24) month extension of the period within which to commence construction under Approval Order #DAQE-AN0327010-04. The AO was issued by the Utah Department of Air Quality ("UDAQ") on October 15, 2004 for the addition of a new Unit 3 at the Intermountain Power Generating Station. The request will extend the time period to commence construction from April 15, 2006 until April 15, 2008.

Construction Status

General Condition #8 of the AO indicates that IPSC shall notify you in writing on the status of construction and/or installation of Unit 3 within 18 months of the issuance of the AO. The development participants have been actively engaged in many project development activities at great expense, including the following:

- developing joint ownership arrangements
- preparing agreements to govern the use of facilities in common with units 1 and 2
- preparing a joint operating agreement covering units 1, 2 and 3
- exploring fuel supply strategies
- initiating engineering and other technical work prerequisite to the procurement of equipment.

The development participants have spent in excess of \$5 million dollars in preparatory work for the Unit 3 project and will continue to vigorously pursue these ongoing activities leading to the selection of an owner's engineer, preparation of

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Rick Sprott
Utah Division of Air Quality
January 13, 2006
Page 2

detailed specifications for construction, and procurement of necessary equipment and on-site construction activities commencing before April 15, 2008.

Extension Requests

Extension requests for major coal plants and other complex facilities are not uncommon. The Wyoming DEQ recently granted a 24 month extension to the Two Elks project and the North Dakota Department of Health granted a 36 month extension for a North Dakota PSD permit. Other states have granted extensions as well.

AO Timing

It is, quite literally, not possible to complete all of the tasks necessary to develop, design and construct a coal-fired power plant of this size in the 18 month window prescribed in the AO. For that reason, AO General Condition #8 and the underlying requirements contemplate a process to extend the AO as necessary.

In addition to the amount of time required to complete the development tasks noted above, there are long lead times for many construction-related activities and significant timing needs associated with the financial complexities surrounding a project with construction costs of over \$1 Billion—a complicated 950 MW Unit 3 project with unique features, i.e. engineering designs, financing, and ownership. In addition, the legal challenge to AO and the subsequent appeal of the Air Board's decision has taken a tremendous amount of time and resources. Until that legal challenge is completed, the AO does not have the certainty necessary to make final construction plans and finalize financing.

Discussions among the development participants likewise require large amounts of time, along with the time to complete the resource planning requirements of individual development participants (including the SB 26 mandated PSC approval process for PacifiCorp). For all of these reasons, IPSC believes that adequate justification exists to extend the 18 month timeframe to commence construction for an added 24 months. The need is even greater because one of the original development participants unexpectedly withdrew from the project—the Los Angeles Department of Water & Power (LADWP). This in and of

Rick Sprott
Utah Division of Air Quality
January 13, 2006
Page 3

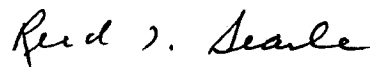
itself caused significant delay and is an added reason why an extension is necessary.

BACT Update

IPSC and the development participants are mindful of the need to assure that there have not been any significant changes in Best Available Control Technology ("BACT") determinations since the AO for Unit 3 originally was issued. In that regard, a study by CH2MHill has gathered BACT determinations for facilities similar to the new Unit 3 at the Intermountain Power Generating Station, issued since October 15, 2004. See Attachment A for a list of the BACT determinations updated since October 15, 2004. This study reveals that no new pollution control technologies have been determined as BACT for facilities similar to Unit 3. Based on this review, IPSC has determined that no new technologies or emissions levels have been established as BACT that would require any revisions to the AO.

Accordingly, IPSC respectfully requests that a twenty-four (24) month extension be granted to allow IPSC sufficient time to further develop, design and begin construction on the new Unit 3. Thank you for your attention to this matter, and please contact me with any questions.

Sincerely,



Reed T. Searle
General Manager

Enclosures

Cc: Doug Hunter, UAMPS
Ernie Wessman, PacifiCorp

Attachment A

The Approval Order for IPP Unit 3 was issued on October 15, 2004. Since that issuance, some new air quality construction permits have been issued for pulverized coal fired utility boilers. Enclosed is an updated listing of these permits similar to the one that was included in the appendix of the original Notice of Intent for IPP 3.

The permits that were issued subsequent to October 15, 2004 and were reviewed are Comanche Unit 3, Weston Unit 4, WYGEN Unit 2, Newmont Unit 1, as well as the re-issuance of the Bull Mountain Roundup Units 1 and 2 permit.

CH2M HILL has reviewed these permits and has determined that for NO_x, all of these permits are in the range of 0.07 to 0.08 pounds per million BTU 30 day rolling average. The IPP AO is 0.07 pounds per million BTU 30 day rolling average. Therefore there is no justification to revise the IPP NO_x limit.

For SO₂, all of these permits are in the range of 0.09 to 0.10 pounds per million BTU 30 day rolling average. The IPP AO is 0.09 pounds per million BTU 30 day rolling average and 0.10 24 hour average. Therefore there is no justification to revise the IPP SO₂ limit.

For CO the permits range from 0.13 to 0.15 pounds per million BTU with the Comanche permit at 0.13 pounds per million BTU eight hour rolling average during normal operation but a much higher limit of 0.30 pounds per million BTU during startup. The Newmont permit is for a shorter averaging time (24 hour rolling average) while the IPP AO CO limit is for 30 day rolling average of 0.15 pounds per million BTU. The IPP AO is well in the range of the most recent permits and therefore we see no reason to revise the IPP CO limit.

For VOC, the permits range from 0.0027 to 0.01 pounds per million BTU. The Newmont permit is for 8.1 pounds per hour which is equivalent to 0.004 pounds per million BTU at full load. The IPP AO is 0.0027 pounds per million BTU which is the lowest BACT limit. Therefore we see no reason to revise the IPP VOC limit.

For PM₁₀, the permits range from 0.012 to 0.18 pounds PM₁₀ filterable per million BTU. The IPP AO is at 0.012 pounds per million BTU for a three test run average. This is the lowest BACT limit of all the permits and therefore we see no reason to revise the IPP PM₁₀ limit.

For H₂SO₄, the permits range from .001 to 0.005 pounds per million BTU. The IPP AO limits H₂SO₄ emissions to .0044 pounds per million BTU 24 hour block average. The Newmont limit is 0.001 pounds per million BTU (2.04 pounds per hour) using a dry lime FGD system while IPP Unit 3 will use a wet limestone scrubber. Given this difference in sulfur control technology the Newmont permit limit for H₂SO₄ is inapplicable. The remaining permits range from 0.0042 to .005 and the IPP is in this range. Therefore we see no reason to revise the IPP H₂SO₄ limit.

TABLE E-1

NSR RACT/BACT/LAER Clearinghouse Database
BACT-PSD Sources for CO
Coal Fired PC Boilers

RBLIC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
NV-0036	Roundup Power Montana Black Hills	2	Coal Fired Boiler 390 MW each	Proper Boiler Design and Operation	not given	lb/MMBTU		12/08/05 3182-01
	WYGEN Unit 2 Wyoming	1	Coal Fired Boiler 100 MW	Combustion Control	not given	lb/MMBTU		7/11/2005
	Xcel Comanche Unit 3 Colorado	1	Coal Fired Boiler 7,421 MMBtu/hr	Combustion Control	not given	lb/MMBTU	8-hour Rolling avg.	7/5/2005
	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 2030 MMBTU/HR	Good Combustion Controls	not given	lb/MMBTU	24-hour	5/05/2005 No. AP4911-1349
	Wisconsin Public Power Plant Unit 4 Wisconsin	1	Coal Fired Boiler 5,173 MMBtu/hr	Combustion Control	not given	lb/MMBTU tons/yr	1-Day 12-month Rolling avg.	10/18/2004
	Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 9050 MMBtu/hr	Combustion Control	not given	lb/MMBTU lbs/hr	30-day Rolling avg. 8-hour Block avg.	10/15/2004

Notes:

NSR RACT/BACT/LAER Clearinghouse database (<http://www.epa.gov/ttn/catc>) was queried for the following:

- RBLIC Determinations added during or after October 15, 2004
- SIC Code: 4911
- Process Type Code: 11.100 - Coal Combustion

TABLE E-2
 NGR RACT/BACT/LAER Clearinghouse Database
 BACT-PSD Sources for VOC
 Coal Fired PC Boilers

RBLCL ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
	Roundup Power Roundup Power Project Montana Black Hills WYGEN Unit 2 Wyoming Xcel Comanche Unit 3 Colorado Wisconsin Public Power Plant Unit 4 Wisconsin Intermountain Power Project Unit 3 Utah	2 1 1 1 1 1	Coal Fired Boiler 390 MW each Coal Fired Boiler 100 MW Coal Fired Boiler 7,421 MMBtu/hr Coal Fired Boiler 5,173 MMBtu/hr Coal Fired Boiler 9050 MMBtu/hr	Proper Boiler Design and Operation Combustion Control Combustion Control Combustion Control	not given not given not given not given not given	0.003 0.01 0.0036 0.0036 81.6 0.0027	 1-Day 12-month Rolling avg. 3 stack test run average	12/08/05 3182-01 7/11/2005 7/5/2005 10/18/2004 10/15/2004

Notes:

TABLE E-3
NSR RACT/BACT/LAER Clearinghouse Database
BACT-PSD Sources for PM
Coal Fired PC Boilers

RBLC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
NV-0036	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 2030 MMBTU/HR	Fabric Filter	not given	0.012 lb/MMBTU	24-hour	5/05/2005 No. AP4911-1349

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TABLE E-4
NSR RACT/BACT/LAER Clearinghouse Database
BACT-PSD Sources for PM₁₀
Coal-Fired PC Boilers

RBLC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
NV-0036	Roundup Power Roundup Power Project Montana	2	Coal Fired Boiler 390 MW each	Fabric Filter Baghouse	not given	lb/MMBTU 0.012	lb/MMBTU	12/08/05 3182-01
	Black Hills WYGEN Unit 2 Wyoming	1	Coal Fired Boiler 100 MW	Fabric Filter	not given	0.012	lb/MMBtu	7/11/2005
	Xcel Comanche Unit 3 Colorado	1	Coal Fired Boiler 7,421 MMBtu/hr	Fabric Filter	not given	0.012 0.020	3-hour Rolling avg (filterable) 3-hour Rolling avg (filterable & condensable)	7/5/2005
	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 2030 MMBTU/HR	Fabric Filter	not given	0.012	lb/MMBTU 24-hour	5/05/2005 No. AP4911-1349
	Wisconsin Public Power Plant Unit 4 Wisconsin	1	Coal Fired Boiler 5,173 MMBtu/hr	Fabric Filter	not given	0.018	3-hour Rolling avg. lb/MMBTU	10/18/2004
	Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 9050 MMBtu/hr	Fabric Filter	not given	0.012 221	3 stack test run avg. 24-hour Block avg. lb/MMBTU lbs/hr	10/15/2004

Notes:
NSR RACT/BACT/LAER Clearinghouse database (<http://www.epa.gov/ttn/catc>) was queried for the following:

TABLE E-5
 NSR RACT/BACT/LAER Clearinghouse Database
 BACT-PSD Sources for Lead
Coal Fired PC Boilers

RBLC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
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TABLE E-6
NSR RACT/BACT/LAER Clearinghouse Database
BACT-PSD Sources for Fluorides
Coal Fired PC Boilers

RBLC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
NV-0036	Newmont Nevada Energy Investment, Inc. IS Power Plant	1	Coal Fired Boiler 2030 MMBTU/HR	Dry Spray Scrubber and Fabric Filter	not given	1.17 lbs/hr		5/05/2005 No. AP4911-1349

Notes:

TABLE E-7
NSR RACT/BACT/LAER Clearinghouse Database
BACT-PSD Sources for SO₂
Coal-Fired PC Boilers

RBLC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
	Roundup Power Project Montana Black Hills WYGEN Unit 2 Wyoming Xcel Comanche Unit 3 Colorado	2	Coal Fired Boiler 390 MW each	Dry Flue Gas Desulfurization System	90%	lb/MMBtu	1-hour	12/08/05 3182-01
		1	Coal Fired Boiler 100 MW	Dry Lime FGD	not given	lb/MMBTU lb/MMBTU	30-day Rolling avg. 3-hour Block avg.	7/11/2005
		1	Coal Fired Boiler 7,421 MMBtu/hr	Dry Lime FGD	not given	lb/MMBTU	30-day Rolling	7/5/2005
	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 2030 MMBTU/HR	Lime Spray Dryer Scrubber	not given	lb/MMBTU lb/MMBTU	24-hour (Coal S >= 0.45%) - 95% removal eff. 30-day period 24-hour (Coal S < 0.45%) - 91% removal eff. 30 No. AP4911-1349 day period	5/05/2005
	Wisconsin Public Power Plant Unit 4 Wisconsin Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 5,173 MMBtu/hr	Dry Lime FGD	not given	lb/MMBTU lb/MMBTU	24-hour Block avg. 30-day Rolling avg.	10/18/2004
		1	Coal Fired Boiler 9050 MMBtu/hr	Wet Limestone FGD	not given	lb/MMBTU	24-hour Block avg. 30-day Rolling avg.	10/15/2004

Notes:

TABLE E-8
NSR RACT/BACT/LAER Clearinghouse Database
BACT-PSD Sources for NO_x
Coal Fired PC Boilers

RBLC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
NV-0036	Roundup Power Montana	2	Coal Fired Boiler 390 MW each	SCR, Low NO _x Burners, and Overfire Air	not given	lb/MBtu	1-hour	12/08/2005 3182-01
	Black Hills WYGEN Unit 2	1	Coal Fired Boiler 100 MW	SCR and Low NO _x Burners	not given	lb/MBtu	30-day Rolling	7/11/2005
	Wyoming Xcel Comanche Unit 3	1	Coal Fired Boiler 7,421 MMBtu/hr	SCR and Low NO _x Burners	not given	lb/MBtu	30-day Rolling	7/5/2005
	Colorado Newmont Nevada Energy Investment, Inc. TS Power Plant	1	Coal Fired Boiler 2030 MMBTU/HR	SCR, Low NO _x Burners, and Overfire Air	not given	lb/MBtu	24-hour rolling	5/05/2005 No. AP4911-1349
	Nevada Wisconsin Public Power Plant Unit 4	1	Coal Fired Boiler 5,173 MMBtu/hr	SCR and Low NO _x Burners	not given	lb/MBtu	30-day Rolling	10/18/2004
	Wisconsin Intermountain Power Project Unit 3	1	Coal Fired Boiler 9050 MMBtu/hr	SCR and Low NO _x Burners	not given	lb/MBtu	24-hour	10/15/2004
Utah								

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TABLE E-9
NSR RACT/BACT/LAER Clearinghouse Database
BACT-PSD Sources for H₂SO₄
Coal-Fired PC Boilers

RBLG ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
NV-0038	Roundup Power Roundup Power Project Montana	2	Coal Fired Boiler 380 MW each	Dry Flue Gas Desulfurization System	not given	0.0064 lb/MMBTU		12/09/05 3182-01
	Black Hills WYGEN Unit 2 Wyoming	1	Coal Fired Boiler 100 MW	Dry Lime FGD	not given	No Limit		7/11/2005
	Xcel Comanche Unit 3 Colorado	1	Coal Fired Boiler 7,421 MMBtu/hr	Dry Lime FGD	not given	0.0042 lb/MMBTU		7/5/2005
	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 2030 MMBTU/HR	Dry Spray Scrubber and Fabric Filter	not given	2.08 lbs/hr		5/05/2005 No. AP4911-1349
	Wisconsin Public Power Plant Unit 4 Wisconsin	1	Coal Fired Boiler 5,173 MMBtu/hr	Dry Lime FGD	not given	0.005 lb/MMBTU	24-hour	10/18/2004
	Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 9050 MMBtu/hr	Wet Limestone FGD	not given	0.0044 lb/MMBTU	24-hour Block avg	10/15/2004

Notes:

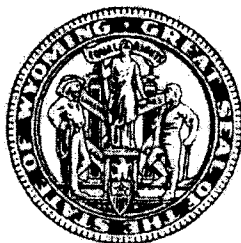
TABLE E-10
NSR RACT/BACT/LAER Clearinghouse Database
BACT-PSD Sources for Beryllium
Coal Fired PC Boilers

RBLC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
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Notes:

NSR RACT/BACT/LAER Clearinghouse database (<http://www.epa.gov/ttn/catc>) was queried for the following:

- RBLC Determinations added during or after January 1995
- SIC Code: 4911
- Process Type Code: 11.110 - Coal Combustion



The State
of Wyoming



Department of Environmental Quality

Dave Freudenthal, Governor

Herschler Building • 122 West 25th Street • Cheyenne, Wyoming 82002

ADMIN/OUTREACH (307) 777-7758 FAX 777-3610	ABANDONED MINES (307) 777-6145 FAX 777-6462	AIR QUALITY (307) 777-7391 FAX 777-5616	INDUSTRIAL SITING (307) 777-7368 FAX 777-6937	LAND QUALITY (307) 777-7756 FAX 777-5884	SOLID & HAZ. WASTE (307) 777-7752 FAX 777-5973	WATER QUALITY (307) 777-7781 FAX 777-5973
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May 17, 2004

Mr. Fred Carl
Director Environmental Services
Black Hills Corporation
P.O. Box 1400
Rapid City, SD 57709

Re: Air Quality Permit CT-3030 Extension

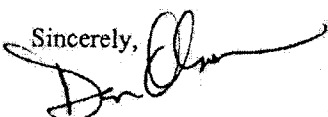
Dear Mr. Carl:

The Division is in receipt of your letter dated March 25, 2004, requesting to extend the construction period for Air Quality Permit CT-3030. Permit CT-3030, issued September 25, 2002, authorized the construction of a 500 megawatt (MW) pulverized coal fired electric generating facility, known as WYGEN 2, located at 13151 Hwy 51 approximately five (5) miles east of Gillette in Campbell County, Wyoming.

Condition 6 of the issued permit states that construction shall commence within 24 months of issuance of the permit. The allotted 24 months for construction is scheduled to lapse on September 25, 2004. An appeal of the final permit was filed on November 25, 2002 and action on the appeal is pending. For this reason, the Division will extend the permit for a period of one year. Construction must commence prior to September 25, 2005, for the approval to construct the WYGEN 2 Electric Generating Plant to remain valid.

If you should have any questions concerning this matter, please contact this office at (307) 777-7391.

Sincerely,


Dan Olson
Administrator
Air Quality Division

cc: Bob Gill
Mike Warren
Main File CT-3030